

# The medium-term oil market outlook: Implications for the demand for OPEC oil

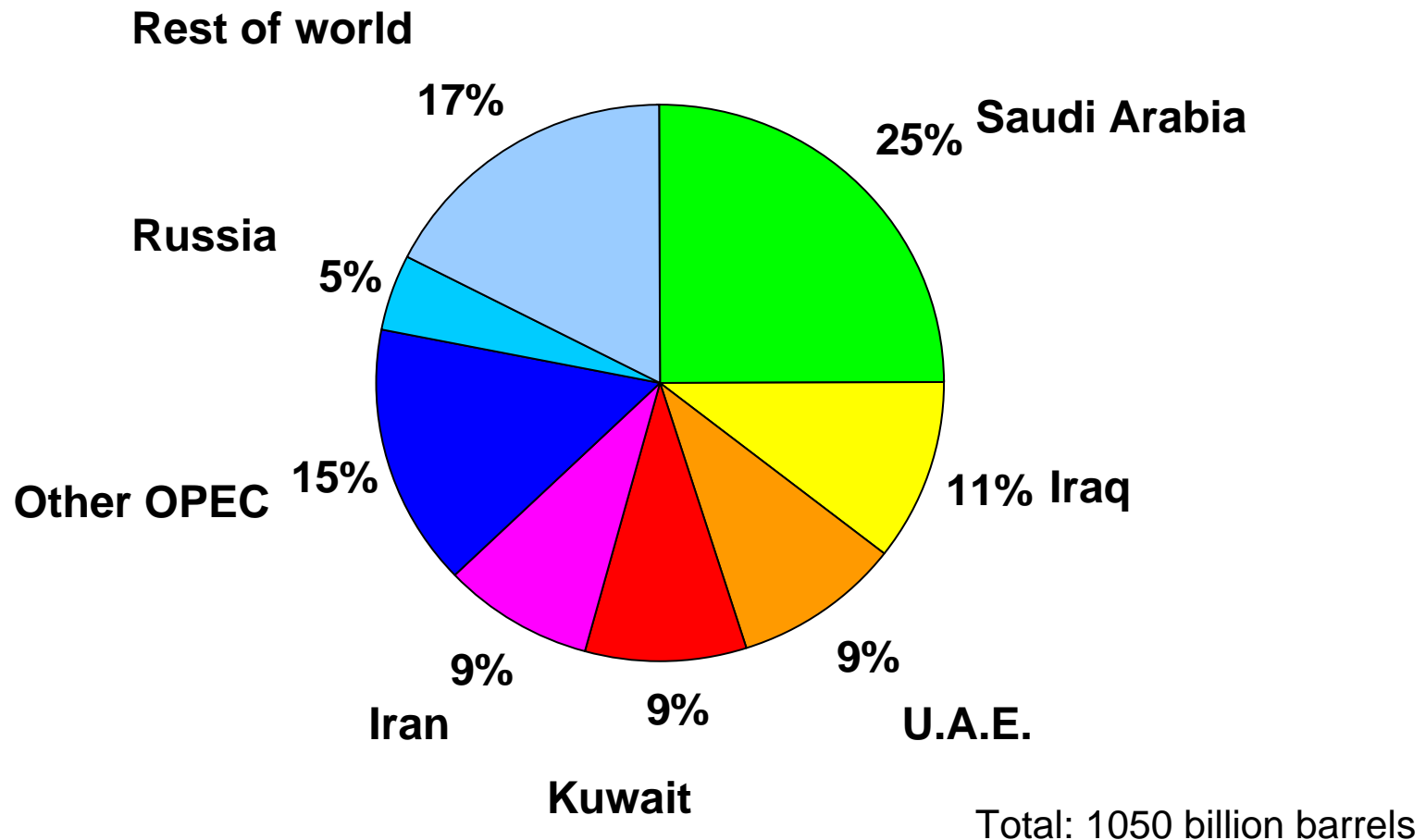


bp

Mark Finley  
NEMS Conference  
Washington, DC  
March 2003

# Will the demand for OPEC oil rise? Yes...eventually

Distribution of world proven oil reserves



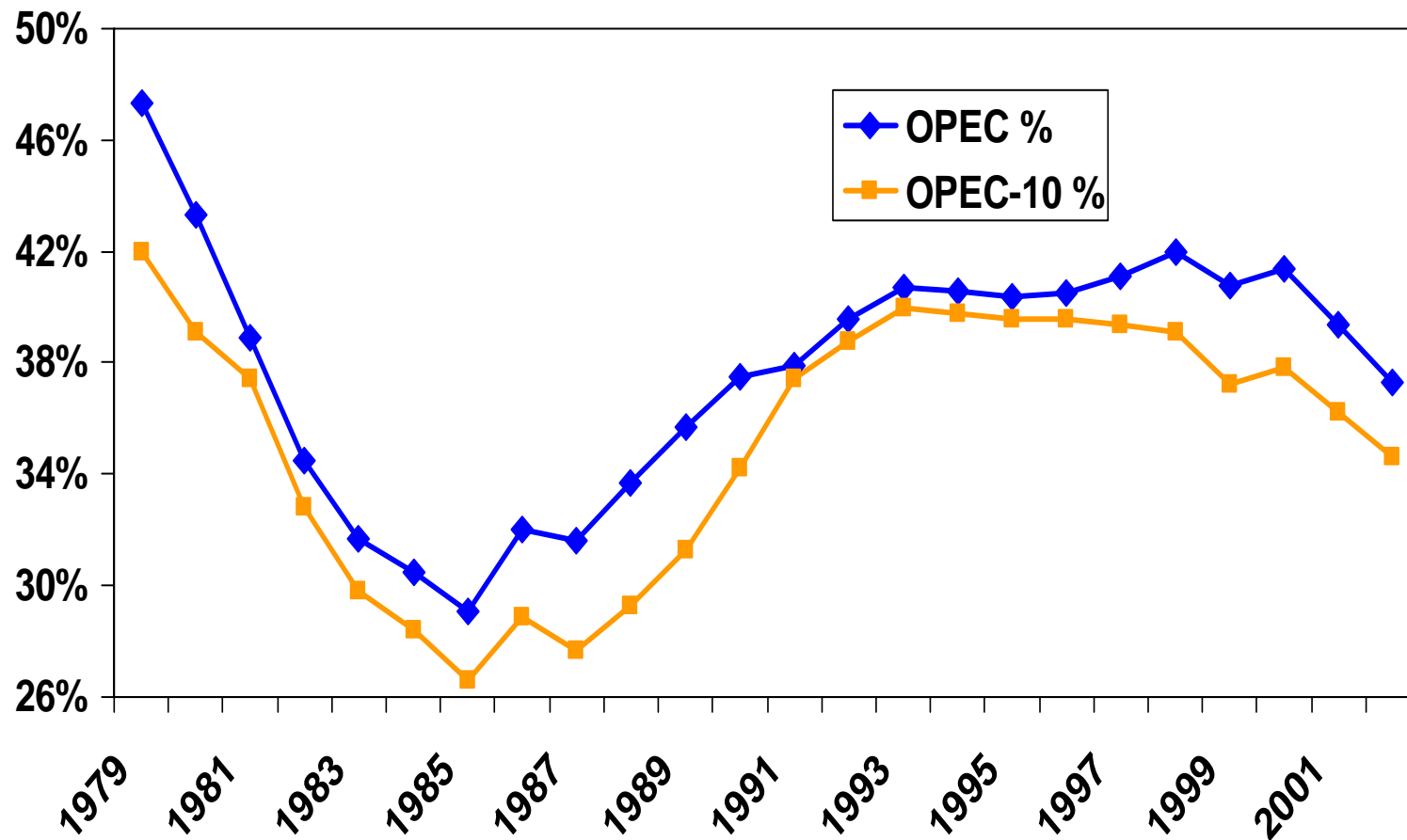
But remember what Keynes said about the long run...

# Outline

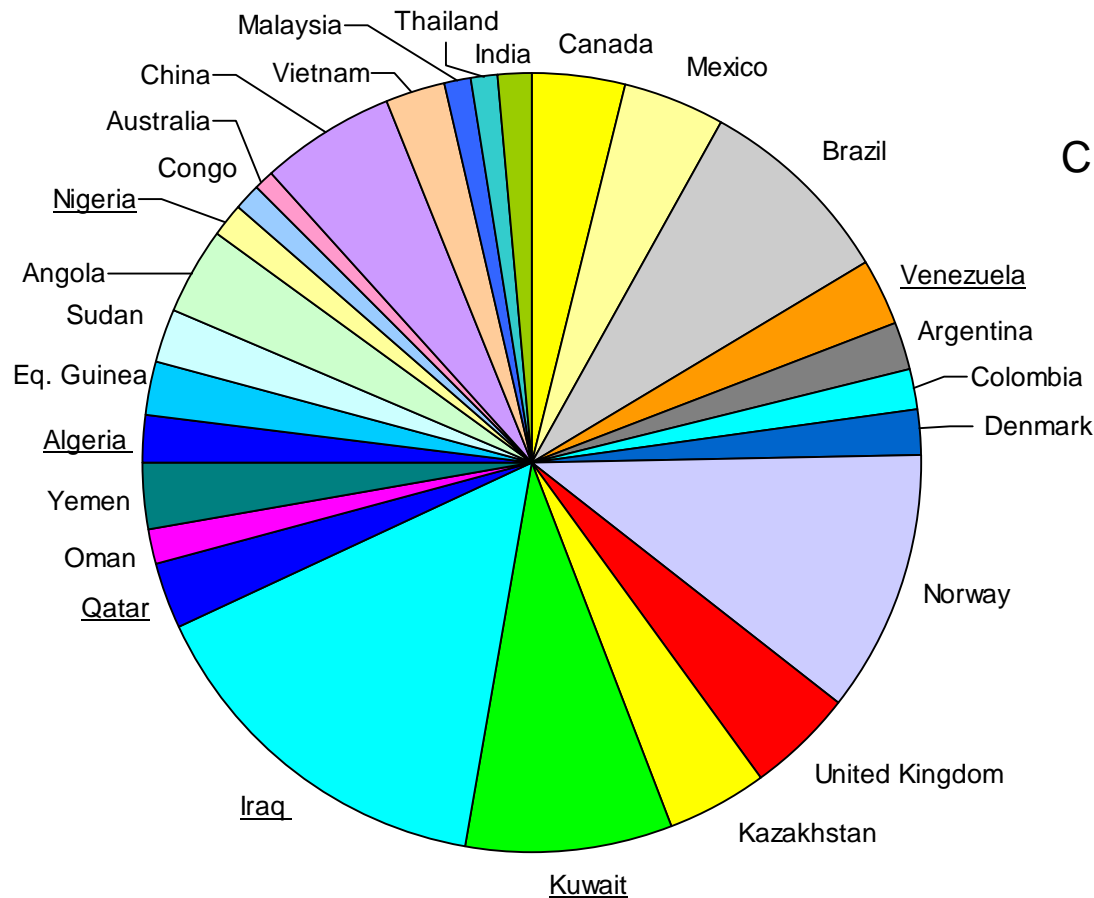
- > History
- > Challenging the conventional wisdom:  
    US case study
- > A different (potential) path for the oil market
- > Conclusions



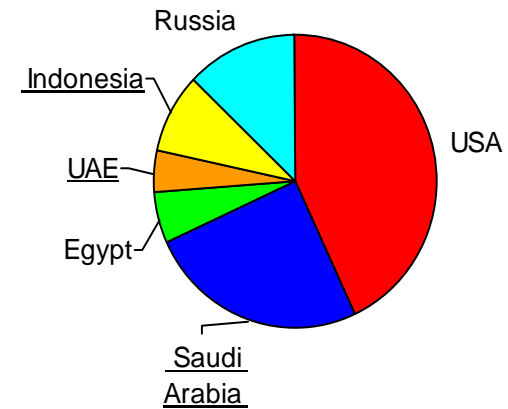
## OPEC Share Of World Oil Production, 1979-2002 (with and without Iraq)



# World oil production changes 1992-2002



Changes > 100,000 b/d over 5 yr



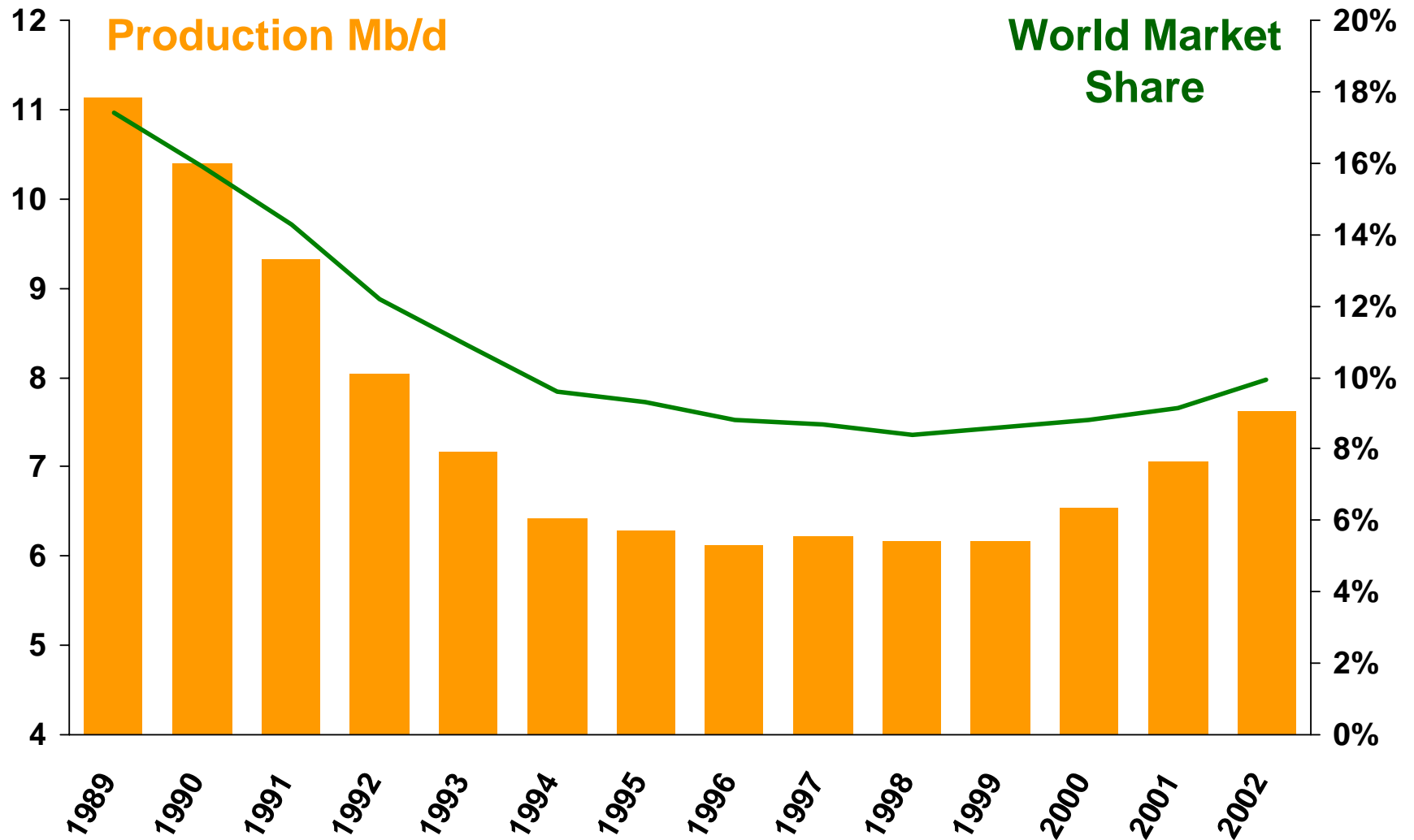
**Decline**

**Growth**

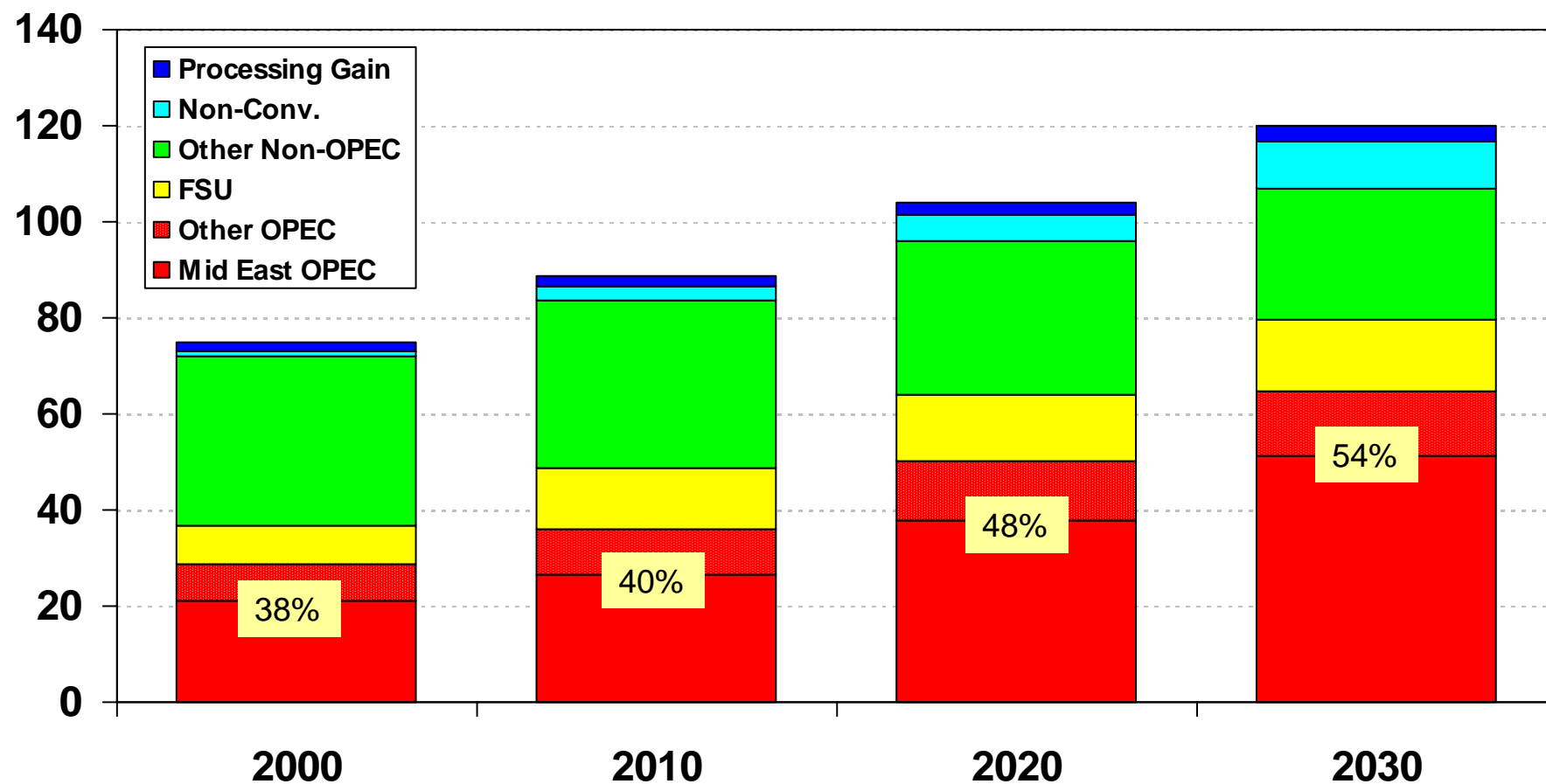
Note: OPEC members underlined



# Russian Oil Rebounds



# The conventional wisdom: forecast of global oil supply



Source: IEA WEO 2002



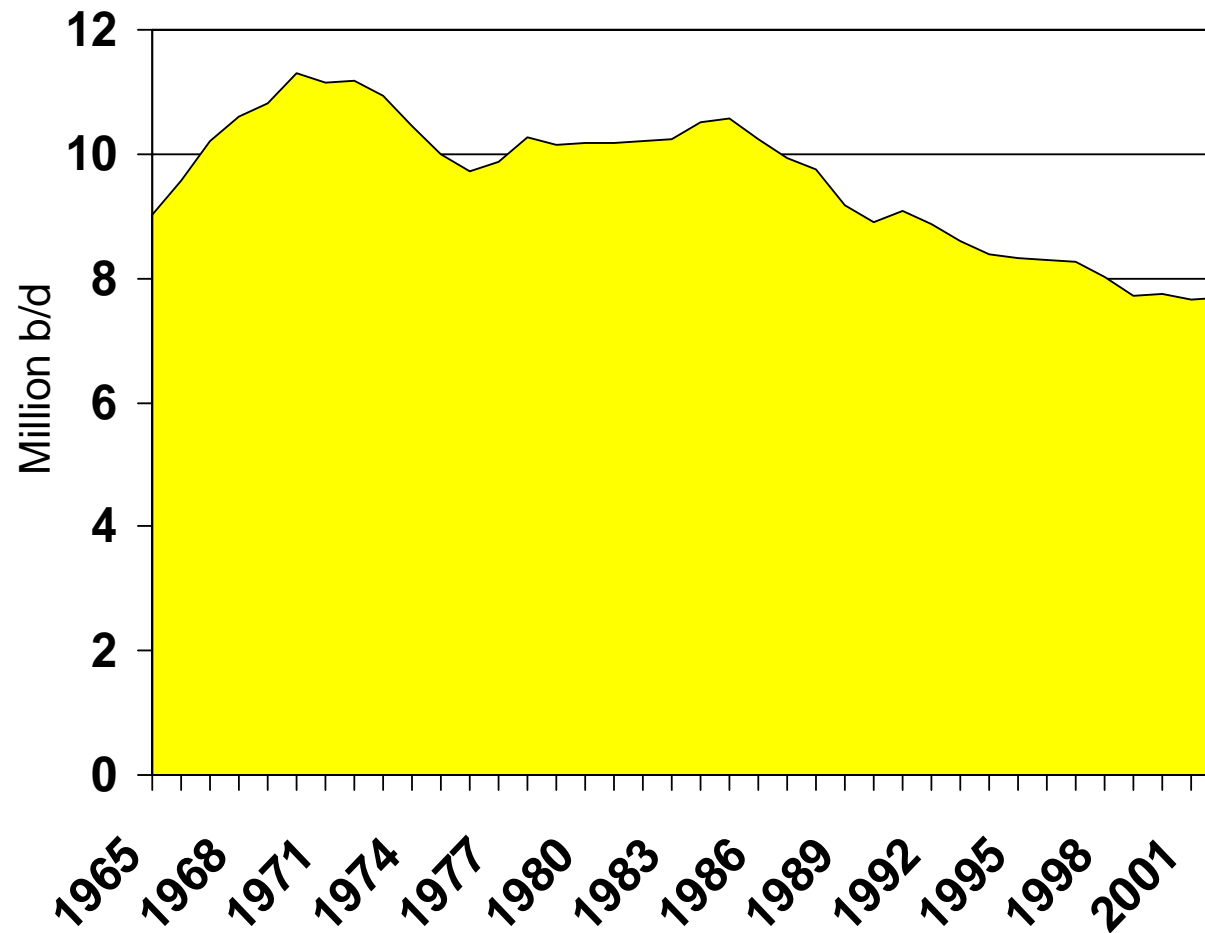
Challenging the conventional wisdom:

US case study





# US Oil Production 1965-2002



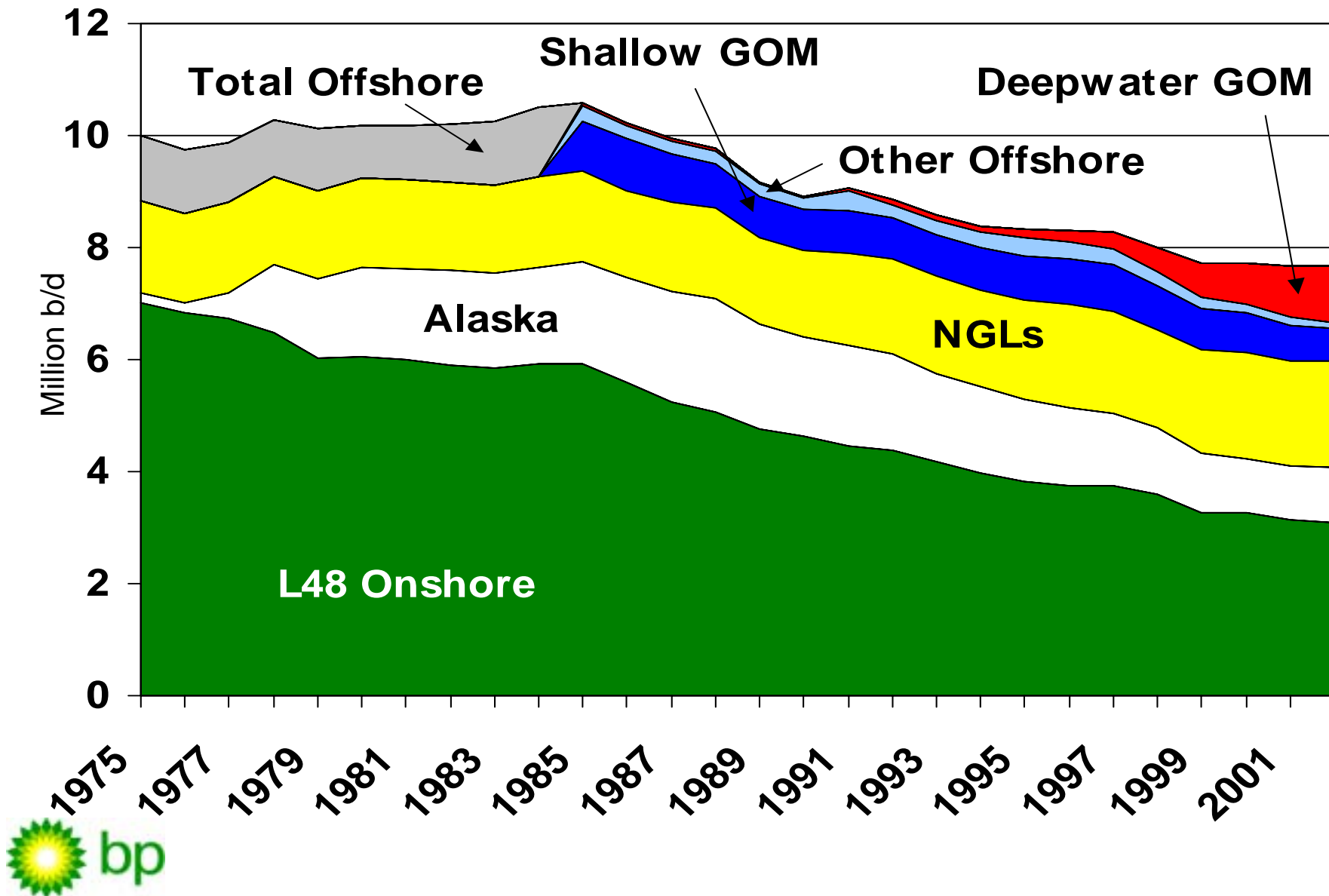
2002 Production: 7.7 Mb/d

All-time peak 11.3 Mb/d 1970

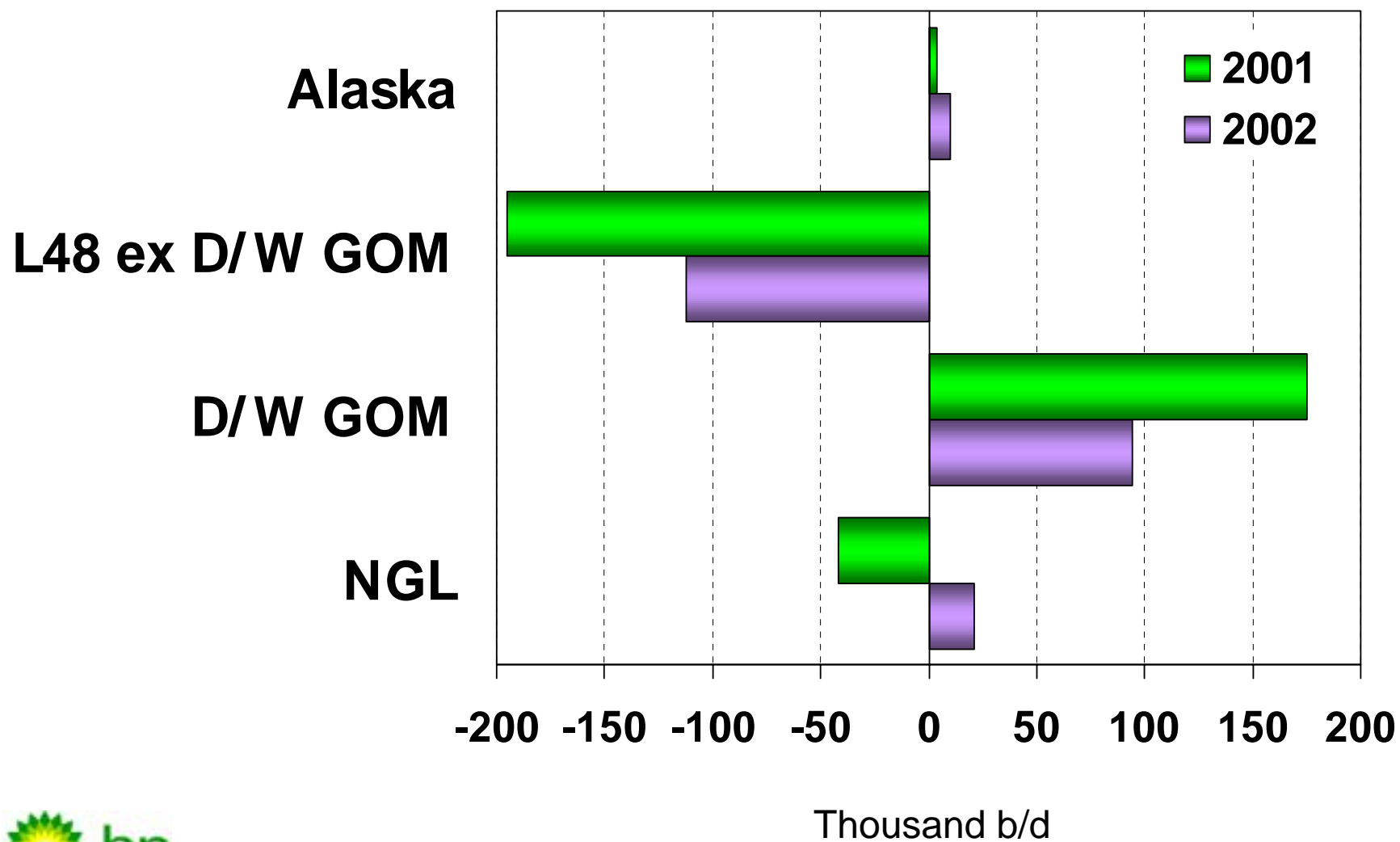
Interim peak 10.6 Mb/d 1985



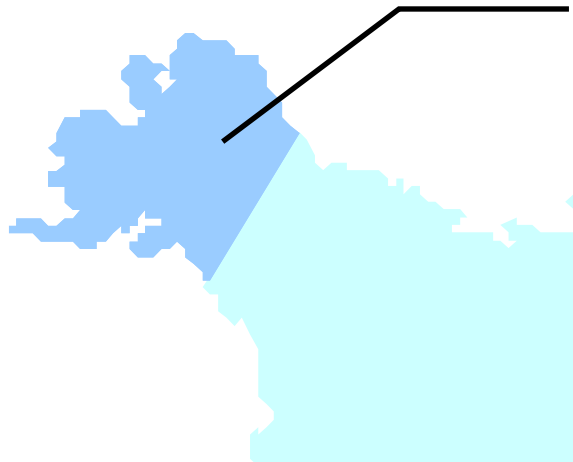
# US Oil Production 1975-2002



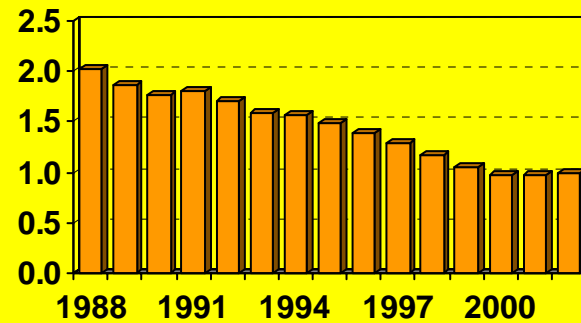
# Change in US Oil Production 2000-2002



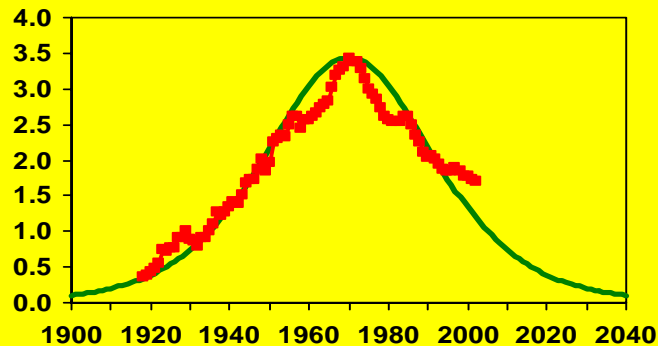
# Conventional Wisdom on US (1): Oil Supply



## Alaska...ongoing decline



## Onshore L48...declining fast



**Growing  
Dependence  
on Imports**

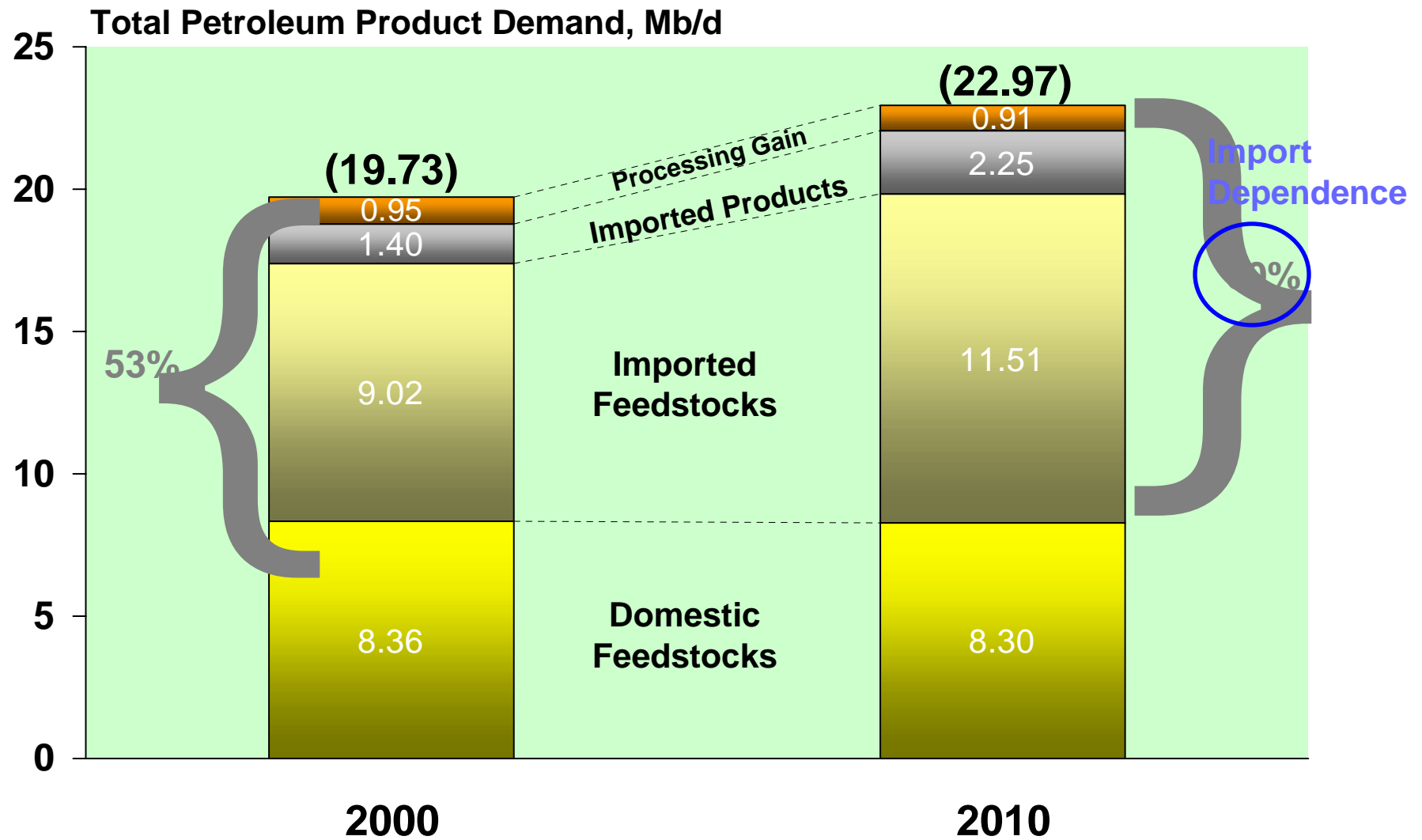
## Gulf of Mexico (deepwater)...



ramping up,  
but peaking  
quickly



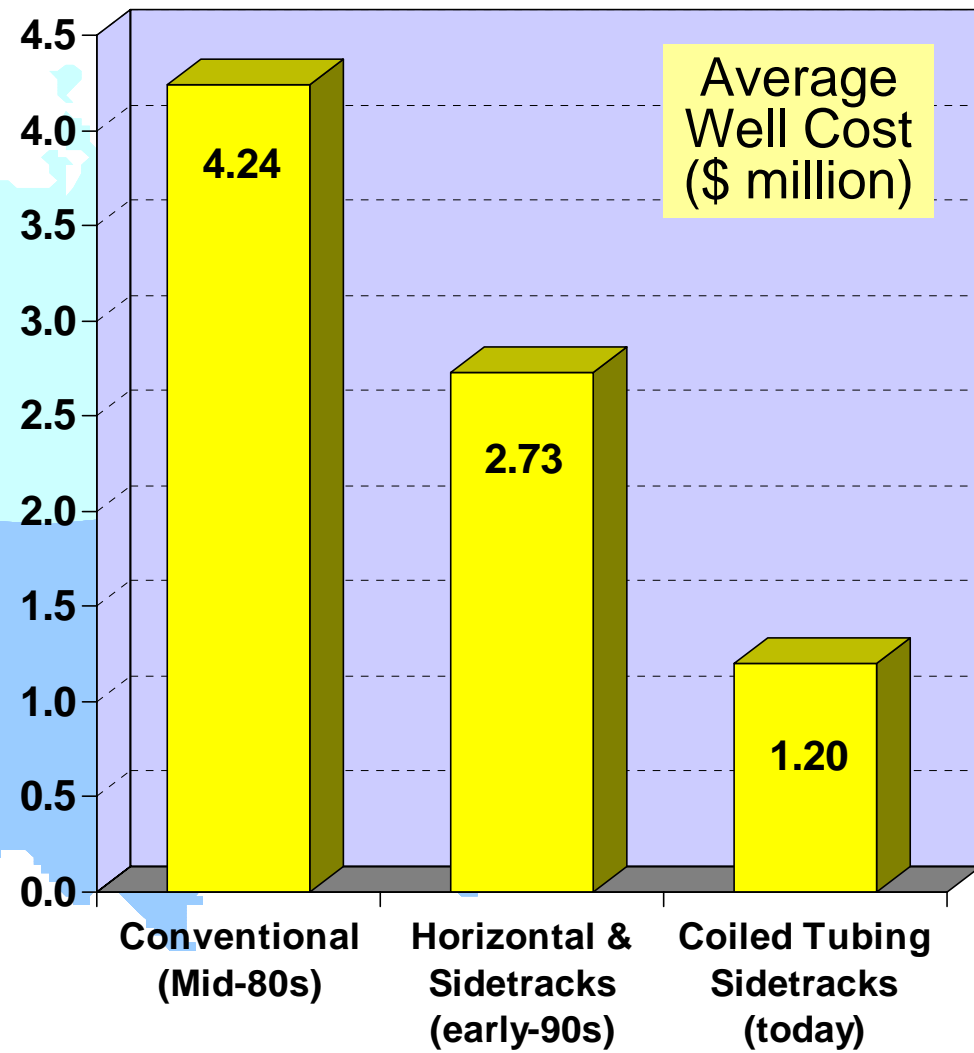
## Conventional Wisdom on US (2): Import Dependence



Source: EIA, Annual Energy Outlook 2003

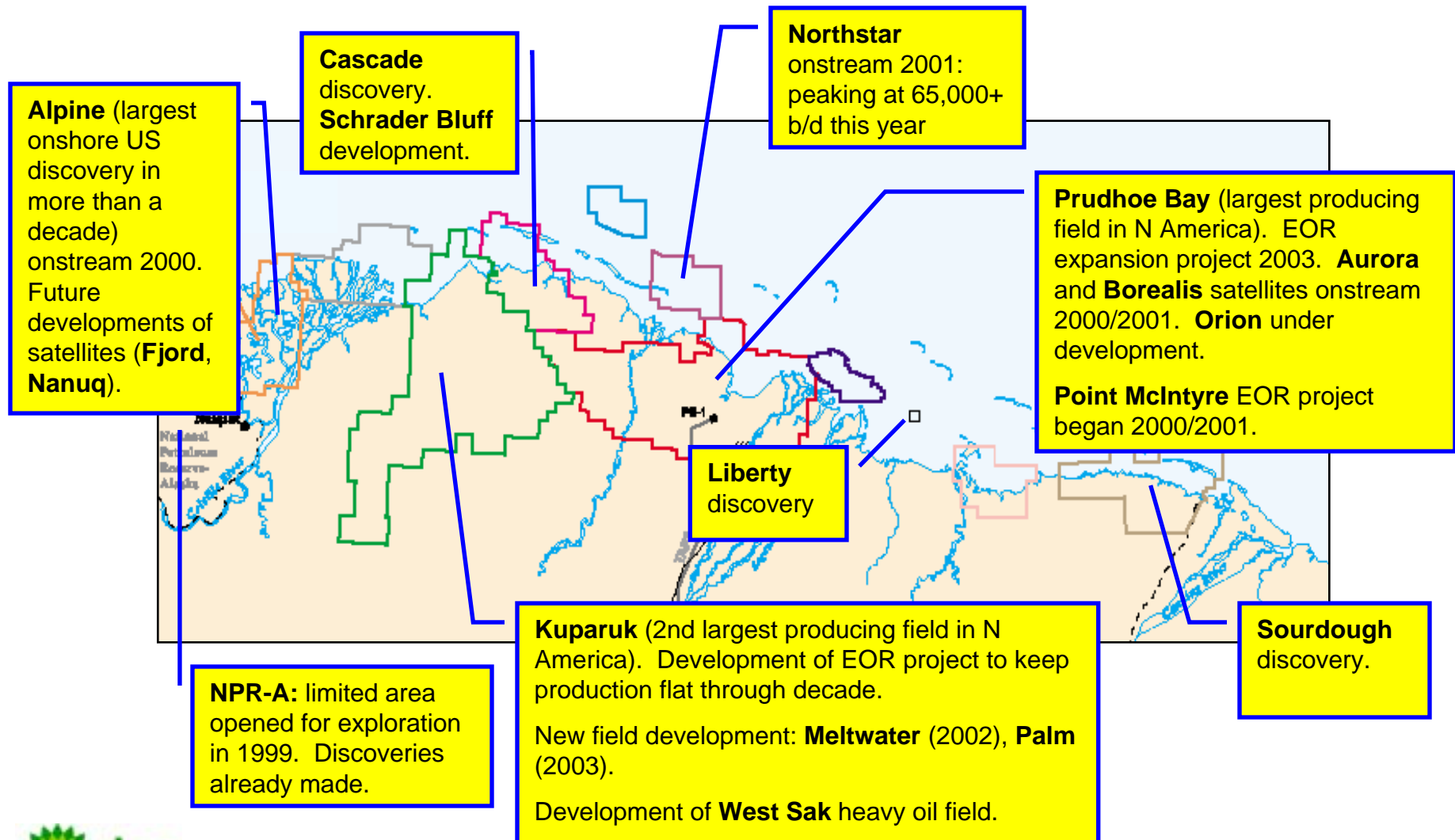
# Challenging the Conventional Wisdom (1): Alaska

- > Development profile suggests plateau (at least) for some years
- > Alaska State projects 1 Mb/d+ for next 5-6 years
- > Production supported by advances in drilling technology – lowering costs



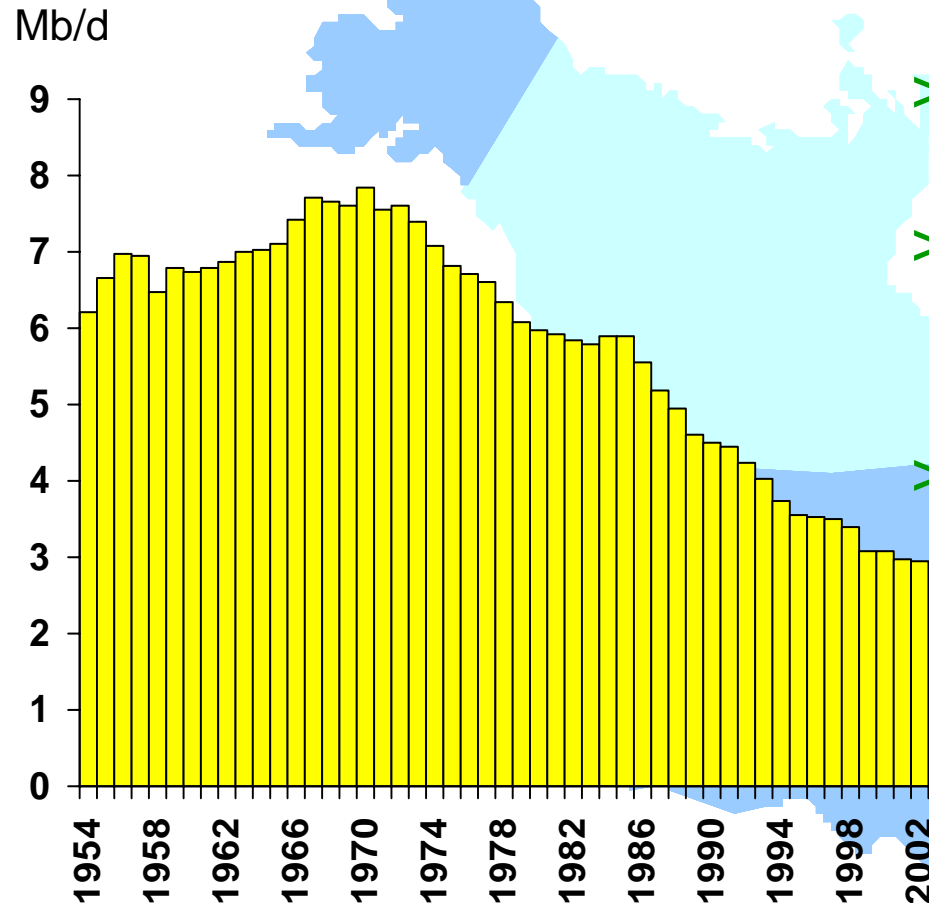
# Alaska:

## Recent and potential developments on the North Slope



# Challenging the Conventional Wisdom (2):

## Lower 48 onshore

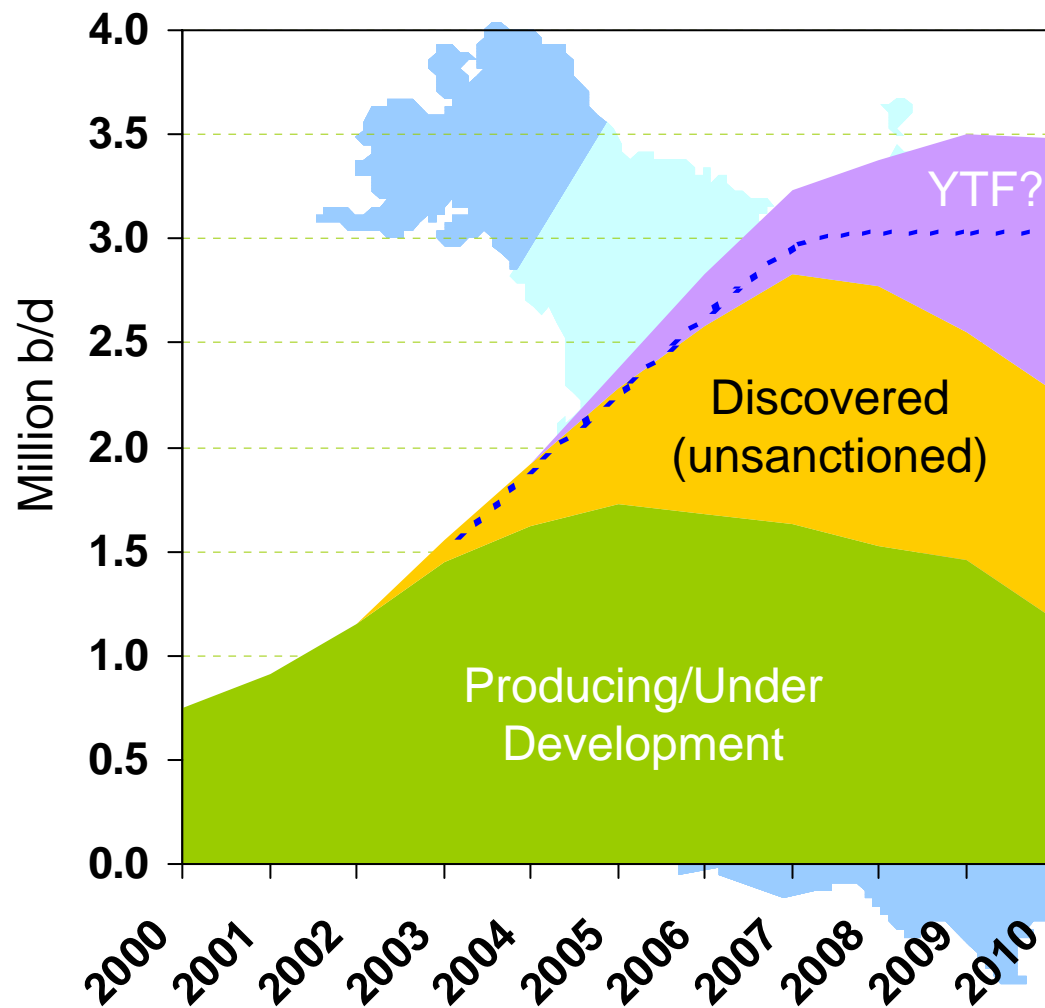


- > In decline...but not as steep as many think
- > Decline rate has slowed to 2-3% pa
- > Technology (EOR) is continuing to improve recovery rates
- > Energy policy (access to Federal Lands) could make a difference





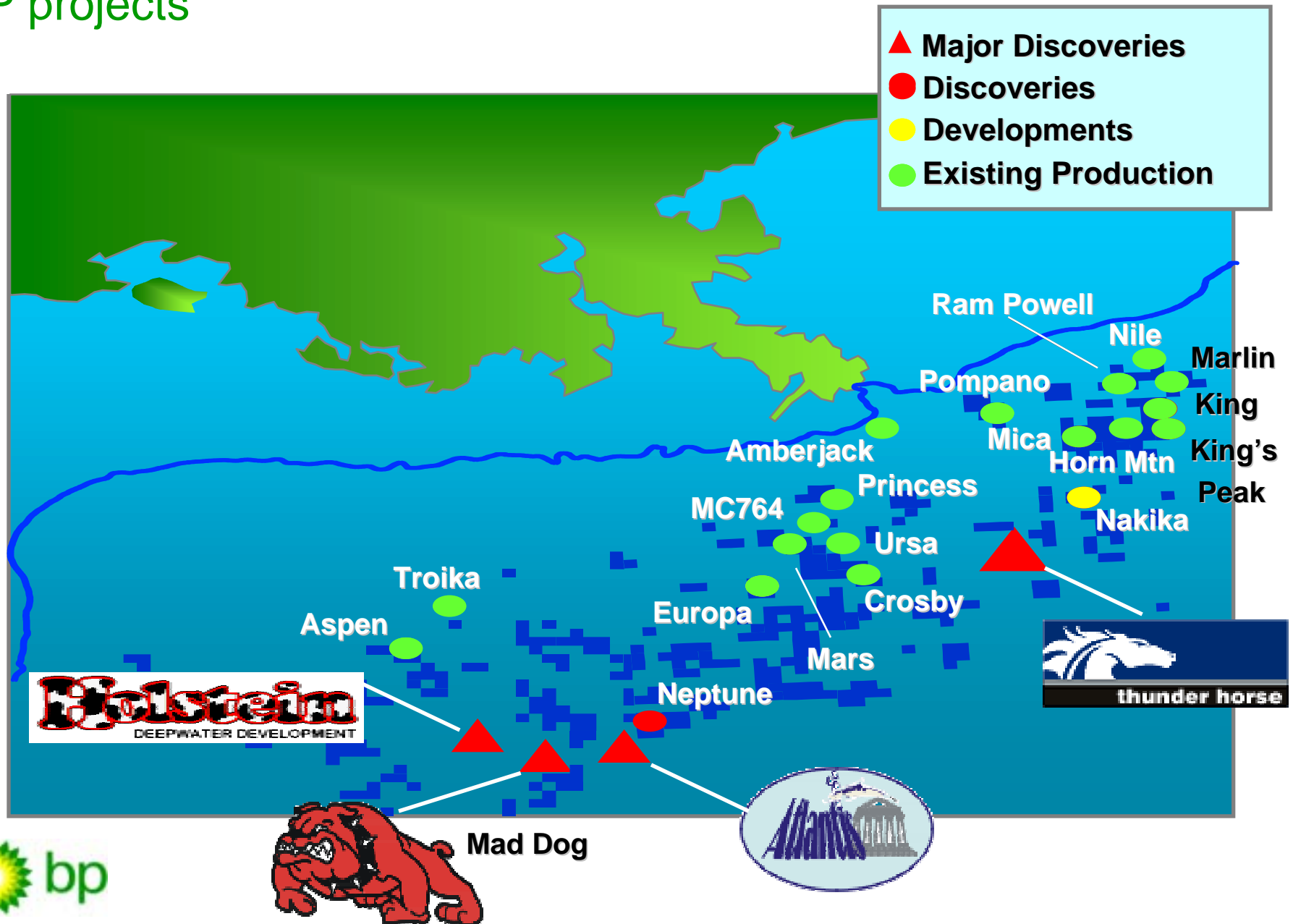
## Challenging the Conventional Wisdom (3): Deepwater Gulf of Mexico



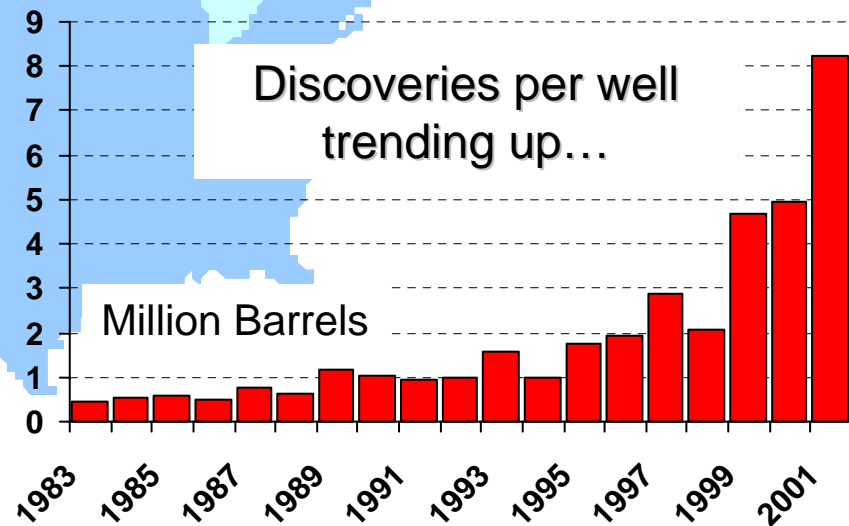
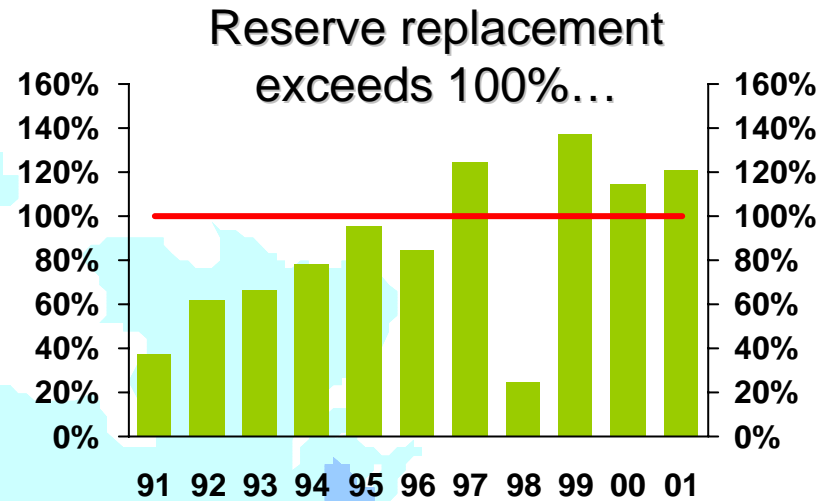
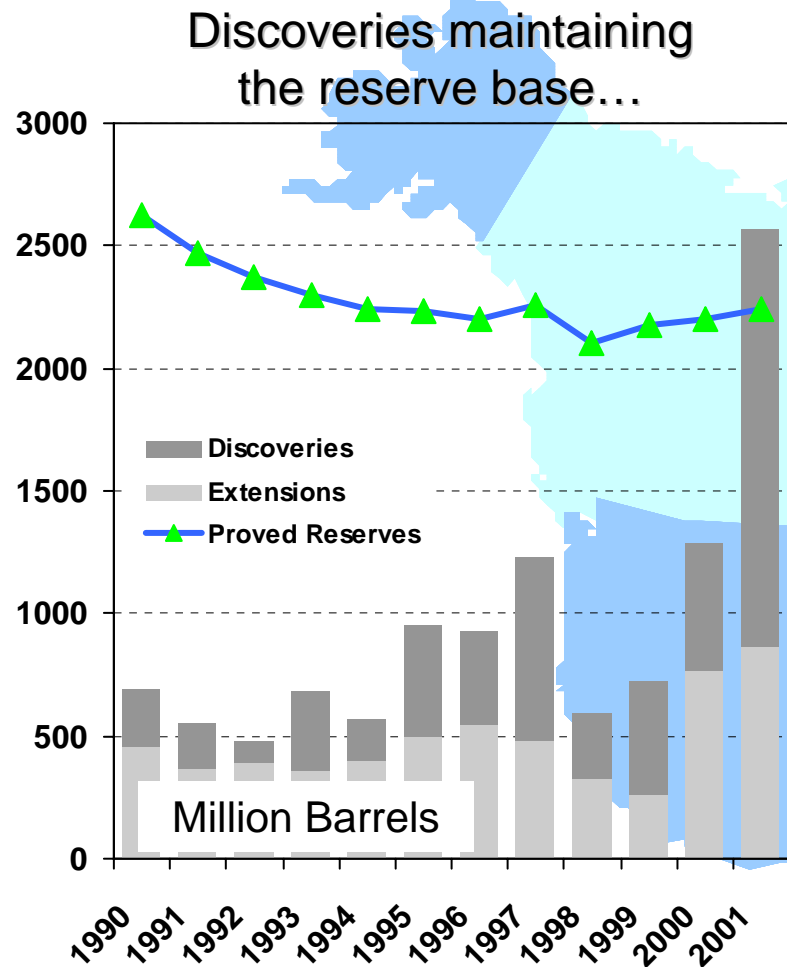
- > Short-life fields, but finds to date suggest continued growth at province level
- > Production set to more than double 2000-2005
- > Discoveries, YTF (+stretch) support significant expansion beyond 'base'
- > Technology and infrastructure allowing access to ever deeper water



# Deepwater Gulf of Mexico: BP projects

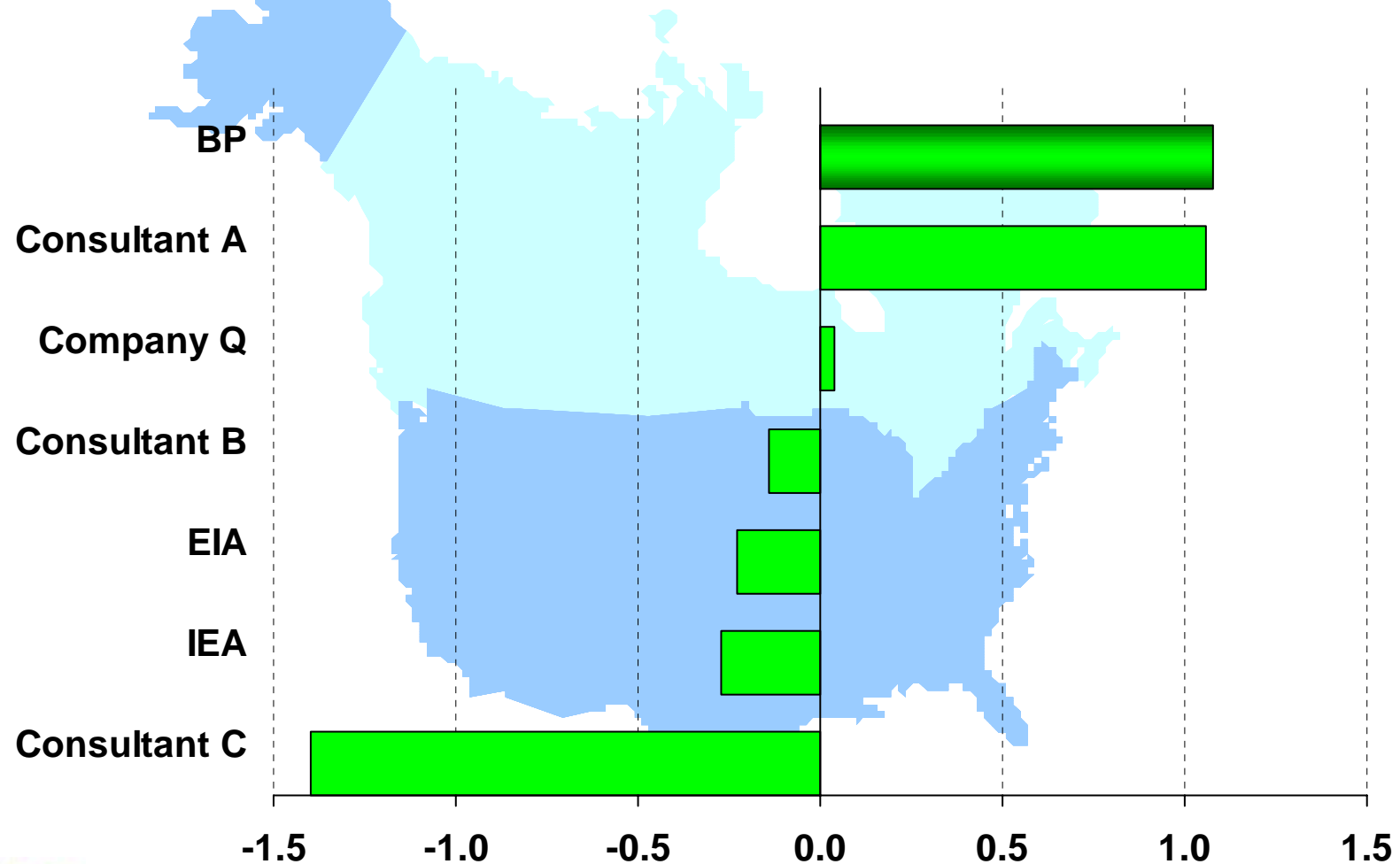


# Challenging the Conventional Wisdom (4): Reserves support continued production growth

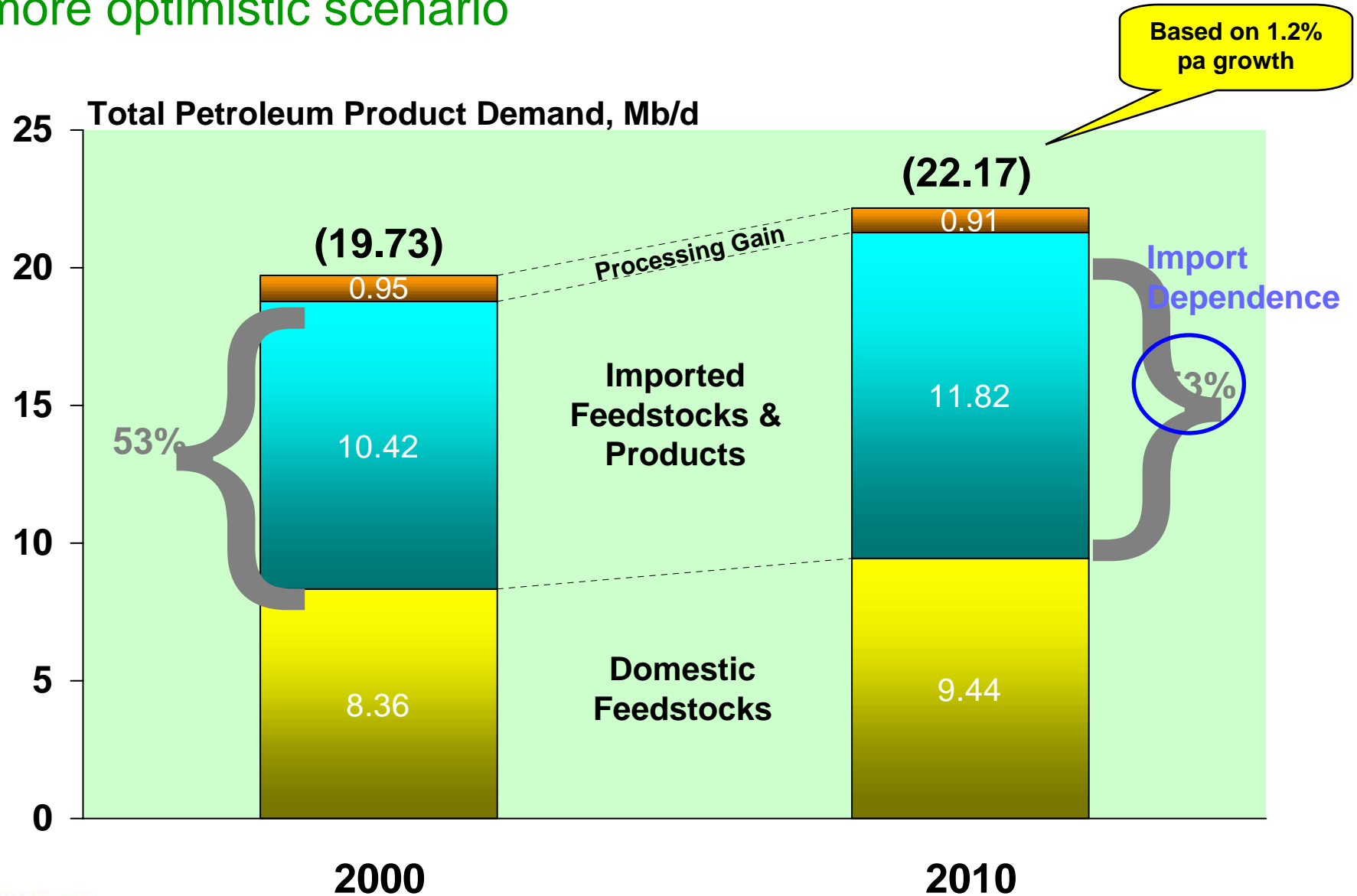


# Forecast Comparisons

## US Liquids Production Forecasts: Mb/d 2000-2010



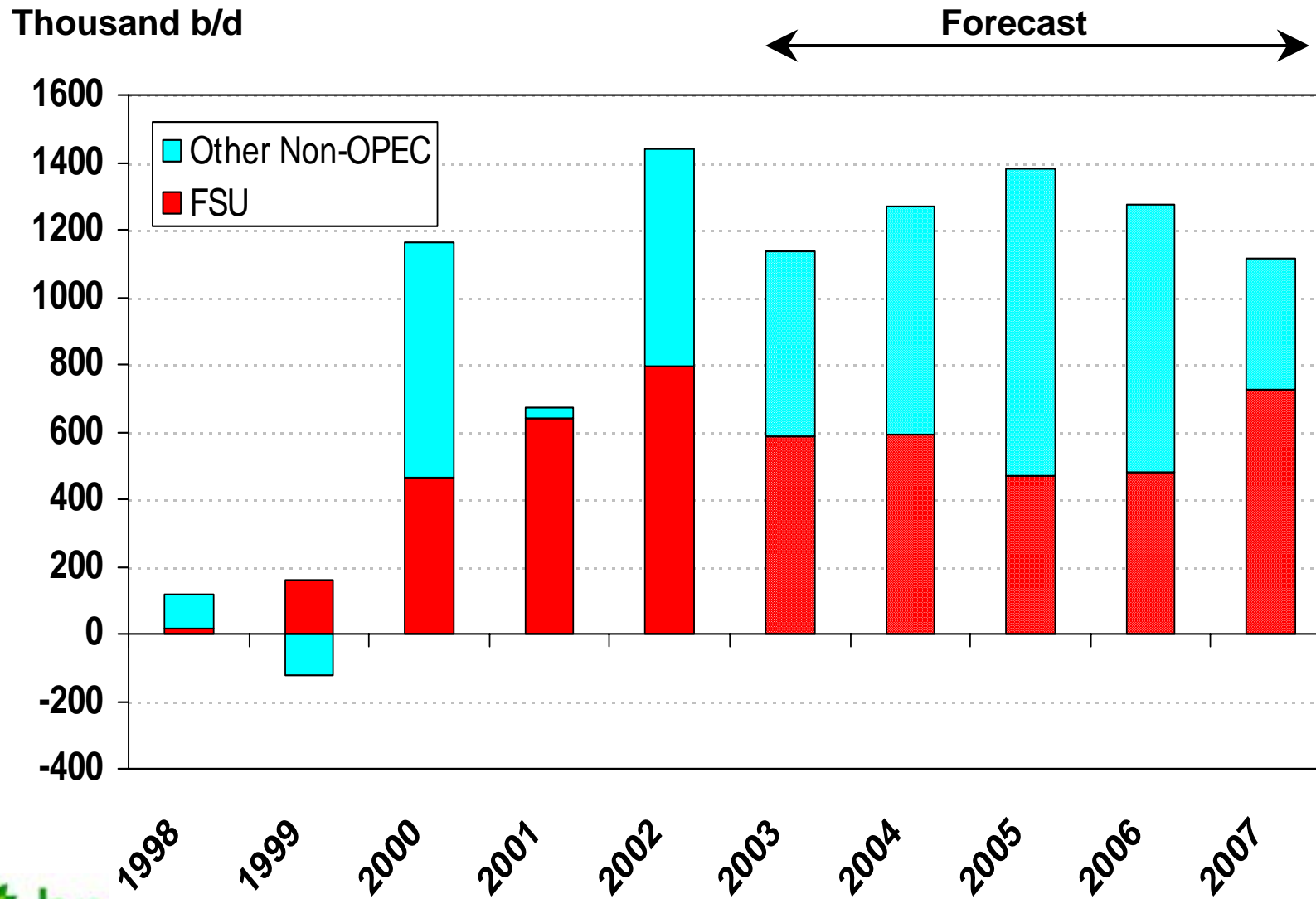
# Putting It All Together: A more optimistic scenario



A different (potential) path for the oil market

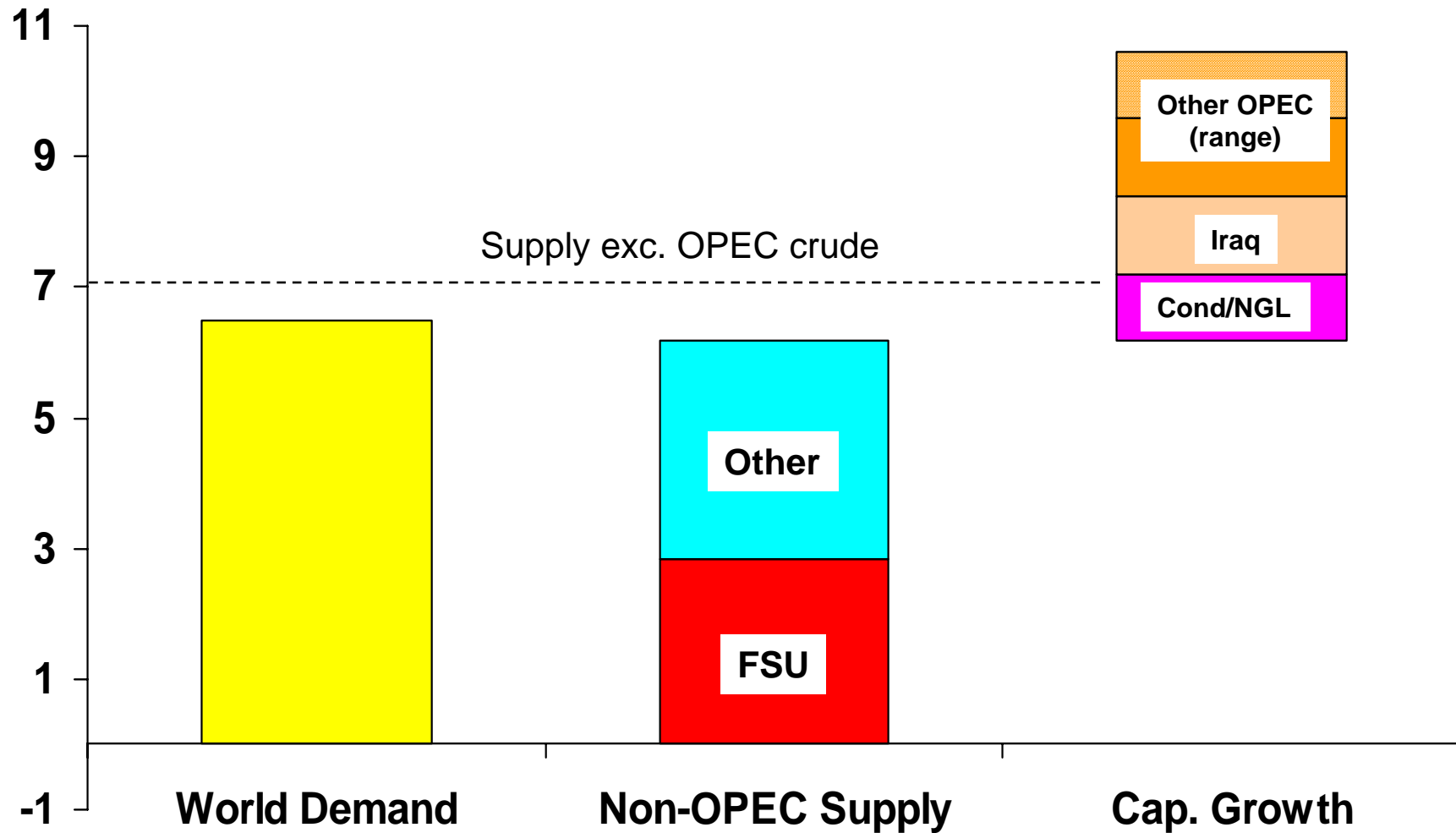


# Incremental Non-OPEC Oil Production



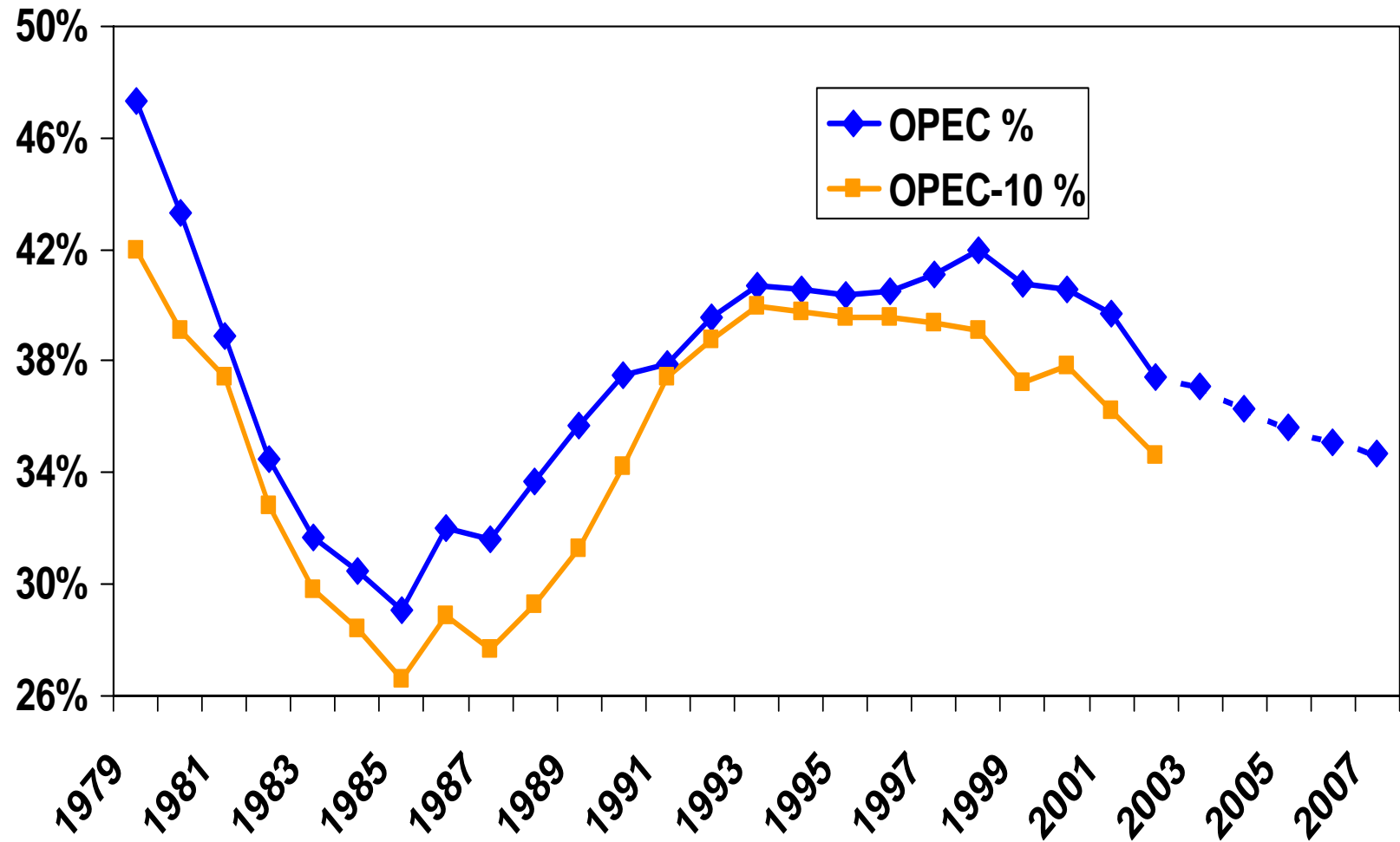
## OPEC's medium term problem: Falling demand for OPEC crude

Change 2002-2007 (Mb/d)





## OPEC Share Of World Oil Production



# Conclusions

- > Production must eventually follow reserves
- > But reasonable probability that medium term non-OPEC production will exceed expectations
- > Deep-water is a major, technology-driven play
- > Will demand growth continue to falter?
- > OPEC to continue struggling to maintain market share

